

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 2038 - SB 2076**

February 20, 2018

**SUMMARY OF BILL:** Exempts liquor barrels from property taxation. Requires actions or proceedings to correct an assessment or request a refund or other relief on previous assessments of liquor barrels on the basis of the exemption being subject to applicable statutes of limitations.

**ESTIMATED FISCAL IMPACT:**

**Decrease Local Revenue – \$1,400/Recurring**

**Forgone Local Revenue – Exceeds \$2,982,500/Recurring**

**Increase Local Expenditures – \$1,000/One-Time\***

**Other Fiscal Impact – Moore County will forgo an estimated \$2,782,500 in property tax revenue in FY17-18 that is currently due but has not yet been collected.**

**Assumptions:**

- Based on information provided by the Comptroller of the Treasury (COT), a distiller's aging barrels are assessable as tangible personal property under Tenn. Code Ann. § 67-5-903(f) Group 5 as manufacturing machinery.
- Pursuant to Tenn. Code Ann. § 67-5-901(2), industrial and commercial property is assessed at 30 percent of its value.
- Based on information provided by the COT, Gibson, Madison, Montgomery, Moore, and Williamson counties are currently assessing property taxation on liquor barrels.
- The average assessment rate for the counties containing distilleries is 2.6 percent.
- The price per barrel, accounting for depreciation, is estimated to be \$175 per barrel.
- It is estimated that tangible personal property is currently being paid on approximately 1,000 liquor barrels.
- Exempting liquor barrels from such taxation will lead to a mandatory recurring decrease in local revenue to counties currently assessing property tax estimated to be \$1,365 (1,000 barrels x \$175 per barrel x 30% appraisal x 2.6% tax rate).
- Based on information provided by the COT, a back assessment for approximately 2,000,000 liquor barrels has been identified and sent to a taxpayer in Moore County.
- The property tax rate in Moore County is 2.65%.

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- Passage of this legislation would require Moore County to forgo an estimated \$2,782,500 in revenue due in FY17-18 (2,000,000 barrels x \$175 per barrel x 30% appraisal x 2.65% tax rate).
- This legislation will also prohibit other counties housing distilleries from assessing property taxation on liquor barrels.
- The recurring forgone local revenue resulting from the prohibition is estimated to exceed \$200,000 for all counties other than Moore.
- The total recurring forgone local revenue is estimated to be \$2,982,500 (\$2,782,500 + \$200,000).
- This legislation also allows for distilleries currently paying property taxes on liquor barrels to be allowed to follow applicable processes and request a property tax refund or other relief based on the exemption.
- Approximately 75 percent of property taxes paid on liquor barrels will be successfully appealed and returned to distilleries, resulting in a mandatory one-time increase in local expenditures estimated to be \$1,024 (\$1,365 property tax x 75%).

*\*Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/amj